

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Bentley	<b>County</b> Gladwin
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> May 16, 2006	<b>Date Accountant Report Submitted to State:</b> July 20, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

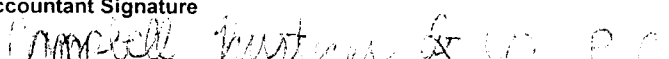
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> 			

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

May 16, 2006

To the Township Board  
Township of Bentley  
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Bentley, Gladwin County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bentley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Bentley, Gladwin County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell Kusterer & Co. P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Bentley covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$424,470.41 for governmental activities. Overall total capital assets remained the same.

Overall revenues were \$201,053.33. Governmental activities had a \$27,586.79 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Garbage Fund, and the Road and Bridge Fund.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Garbage Fund, and the Road and Bridge Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services, which totaled \$79,992.93.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$6,072.28 in capital assets this year..

The Township has no debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Sheila Goschke at (989)879-2119, Monday through Friday from 8:00 am to 5:00 pm.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	225 589 60
Investments	32 016 77
Taxes receivable	15 351 11
Prepaid expense	<u>7 500 00</u>
Total Current Assets	<u>280 457 48</u>
NON-CURRENT ASSETS:	
Capital Assets	235 590 10
Less: Accumulated Depreciation	<u>(90 794 28)</u>
Total Non-current Assets	<u>144 795 82</u>
TOTAL ASSETS	<u><u>425 253 30</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
Accounts payable	
CURRENT LIABILITIES	<u>782 89</u>
Total Current Liabilities	<u>782 89</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	144 795 82
Unrestricted	<u>279 674 59</u>
Total Net Assets	<u>424 470 41</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>425 253 30</u></u>

4The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	4 693 68	-	(4 693 68)
General government	50 925 52	6 486 58	(44 438 94)
Public safety	8 359 00	-	(8 359 00)
Public works	97 601 76	42 784 00	(54 817 76)
Culture and recreation	6 589 29	-	(6 589 29)
Other	5 297 29	-	(5 297 29)
Total Governmental Activities	<u>173 466 54</u>	<u>49 270 58</u>	<u>(124 195 96)</u>
General Revenues:			
Property taxes			66 261 75
Other taxes			8 133 39
State revenue sharing			63 727 63
Interest			5 059 69
Miscellaneous			<u>8 600 29</u>
Total General Revenues			<u>151 782 75</u>
Change in net assets			27 586 79
Net assets, beginning of year			<u>396 883 62</u>
Net Assets, End of Year			<u>424 470 41</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Garbage</u>	<u>Road and Bridge</u>	<u>Total</u>
Cash in bank	183 889 38	25 580 88	16 119 34	225 589 60
Investments	32 016 77	-	-	32 016 77
Taxes receivable	4 462 91	6 423 97	4 464 23	15 351 11
Prepaid expense	<u>7 500 00</u>	<u>-</u>	<u>-</u>	<u>7 500 00</u>
Total Assets	<u>227 869 06</u>	<u>32 004 85</u>	<u>20 583 57</u>	<u>280 457 48</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>782 89</u>	<u>-</u>	<u>-</u>	<u>782 89</u>
Total liabilities	<u>782 89</u>	<u>-</u>	<u>-</u>	<u>782 89</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>227 086 17</u>	<u>32 004 85</u>	<u>20 583 57</u>	<u>279 674 59</u>
Total fund equity	<u>227 086 17</u>	<u>32 004 85</u>	<u>20 583 57</u>	<u>279 674 59</u>
Total Liabilities and Fund Equity	<u>227 869 06</u>	<u>32 004 85</u>	<u>20 583 57</u>	<u>280 457 48</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	279 674 59
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	235 590 10
Accumulated depreciation	<u>(90 794 28)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>424 470 41</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>Garbage</u>	<u>Road and Bridge</u>	<u>Total</u>
Revenues:				
Property taxes	31 178 18	-	35 083 57	66 261 75
Other taxes	8 133 39	-	-	8 133 39
State revenue sharing	68 727 63	-	-	63 727 63
Charges for services	6 486 58	-	-	6 486 58
Interest	5 059 69	-	-	5 059 69
Special assessments	-	42 784 00	-	42 784 00
Miscellaneous	8 600 29	-	-	8 600 29
Total revenues	<u>128 185 76</u>	<u>42 784 00</u>	<u>35 083 57</u>	<u>201 053 33</u>
Expenditures:				
Legislative:				
Township Board	4 693 68	-	-	4 693 68
General government:				
Supervisor	4 110 10	-	-	4 110 10
Elections	1 694 30	-	-	1 694 30
Clerk	6 426 33	-	-	6 426 33
Assessor	6 170 00	-	-	6 170 00
Treasurer	9 251 61	-	-	9 251 61
Cemetery	2 475 90	-	-	2 475 90
Building and grounds	17 528 94	-	-	17 528 94
Public safety:				
Fire protection	7 500 00	-	-	7 500 00
Ambulance	859 00	-	-	859 00
Public works:				
Street lights	1 824 21	-	-	1 824 21
Sanitation	-	43 545 60	-	43 545 60
Road and bridge	-	-	52 231 95	52 231 95
Culture and recreation:				
Parks and recreation	6 089 29	-	-	6 089 29
Other functions:				
Payroll taxes	2 153 29	-	-	2 153 29
Insurance	3 144 00	-	-	3 144 00
Capital outlay	6 072 28	-	-	6 072 28
Total expenditures	<u>79 992 93</u>	<u>43 545 60</u>	<u>52 231 95</u>	<u>175 770 48</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

Excess (deficiency) of revenues over expenditures	<u>43 192 83</u>	<u>(761 60)</u>	<u>(17 148 38)</u>	<u>25 282 85</u>
Other financing sources (uses):				
Operating transfers in	-	4 500 00	5 286 48	9 786 48
Operating transfers out	<u>(9 786 48)</u>	<u>-</u>	<u>-</u>	<u>(9 786 48)</u>
Total other financing sources (uses)	<u>(9 786 48)</u>	<u>4 500 00</u>	<u>5 286 48</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>33 406 35</u>	<u>3 738 40</u>	<u>(11 861 90)</u>	<u>25 282 85</u>
Fund balances, April 1	<u>193 679 82</u>	<u>28 266 45</u>	<u>32 445 47</u>	<u>254 391 74</u>
Fund Balances, March 31	<u><u>227 086 17</u></u>	<u><u>32 004 85</u></u>	<u><u>20 583 57</u></u>	<u><u>279 674 59</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 25 282 85

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 768 34)
Capital Outlay	<u>6 072 28</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>27 586 79</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bentley, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bentley. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 3.7776 mills, and the taxable value was \$17,603,474.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	20-70 years
Equipment	3-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$144,795.82.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.



TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>225 589 60</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	179 140 60
Uninsured and Uncollateralized	<u>53 969 00</u>
Total Deposits	<u>233 109 60</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>32 016 77</u>
Total Investments				<u>32 016 77</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	121 700 00	-	-	121 700 00
Building	72 600 00	-	-	72 600 00
Equipment	<u>35 217 82</u>	<u>6 072 28</u>	-	<u>41 290 10</u>
Total	229 517 82	6 072 28	-	235 590 10
Accumulated Depreciation	<u>(87 025 94)</u>	<u>(3 768 34)</u>	-	<u>(90 794 28)</u>
Net Capital Assets	<u>142 491 88</u>	<u>2 303 94</u>	-	<u>144 795 82</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Bentley does not issue building permits.

Note 9 – Budget Variances

For the fiscal year ended March 31, 2006, Township expenditures exceeded the budgeted amounts as follows:

The amounts of interfund receivables and payables are as follows:

	<u>Final Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
<u>General Fund Activity:</u>			
Cemetery	2 300 00	2 475 90	175 90
Parks and recreation	5 200 00	6 089 29	889 29

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 10 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Garbage	4 500 00	General	4 500 00
Road and Bridge	<u>5 286 48</u>	General	<u>5 286 48</u>
Total	<u>9 786 48</u>	Total	<u>9 786 48</u>

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	29 503 00	29 503 00	31 178 18	1 675 18
Other taxes	8 300 00	8 300 00	8 133 39	(166 61)
State revenue sharing	60 000 00	60 000 00	63 727 63	3 727 63
Charges for services	3 600 00	3 600 00	6 486 58	2 886 58
Interest	700 00	700 00	5 059 69	4 359 69
Miscellaneous	<u>13 100 00</u>	<u>13 100 00</u>	<u>8 600 29</u>	<u>(4 499 71)</u>
Total revenues	<u>115 203 00</u>	<u>115 203 00</u>	<u>123 185 76</u>	<u>7 982 76</u>
Expenditures:				
Legislative:				
Township Board	8 080 00	8 080 00	4 693 68	(3 386 32)
General government:				
Supervisor	4 750 00	4 750 00	4 110 10	(639 90)
Elections	1 800 00	1 800 00	1 694 30	(105 70)
Clerk	6 642 00	6 892 00	6 426 33	(465 67)
Assessor	6 200 00	6 200 00	6 170 00	(30 00)
Treasurer	7 150 00	1 075 00	9 251 61	(1 498 39)
Cemetery	2 300 00	2 300 00	2 475 90	175 90
Building and grounds	20 914 00	20 914 00	17 528 94	(3 385 06)
Public safety:				
Fire protection	7 500 00	7 500 00	7 500 00	-
Ambulance	859 00	859 00	859 00	-
Public works:				
Street lights	2 000 00	2 000 00	1 824 21	(175 79)
Culture and recreation:				
Parks and recreation	5 200 00	5 200 00	6 089 29	889 29
Other functions:				
Payroll taxes	2 600 00	2 600 00	2 153 29	(446 71)
Insurance	3 600 00	3 600 00	3 144 00	(456 00)
Capital outlay	<u>8 000 00</u>	<u>8 000 00</u>	<u>6 072 28</u>	<u>(1 927 72)</u>
Total expenditures	<u>87 595 00</u>	<u>91 445 00</u>	<u>79 992 93</u>	<u>(11 452 07)</u>
Excess (deficiency) of revenues over expenditures	<u>27 608 00</u>	<u>23 758 00</u>	<u>43 192 83</u>	<u>19 434 83</u>
Other financing sources (uses):				
Operating transfers out	-	-	(9 786 48)	(9 786 48)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(9 786 48)</u>	<u>(9 786 48)</u>
Excess (deficiency) of revenues and Other sources over expenditures and other uses	<u>27 608 00</u>	<u>23 758 00</u>	<u>33 406 35</u>	<u>9 648 35</u>
Fund balance, April 1	<u>157 646 52</u>	<u>157 646 52</u>	<u>193 679 82</u>	<u>36 033 30</u>
Fund Balance, March 31	<u>185 254 52</u>	<u>181 404 52</u>	<u>227 086 17</u>	<u>45 681 65</u>

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	<u>41 664 00</u>	<u>41 664 00</u>	<u>42 784 00</u>	<u>1 120 00</u>
Total revenues	<u>41 664 00</u>	<u>41 664 00</u>	<u>42 784 00</u>	<u>1 120 00</u>
Expenditures:				
Public works:				
Sanitation	<u>43 545 60</u>	<u>43 545 60</u>	<u>43 545 60</u>	<u>-</u>
Total expenditures	<u>43 545 60</u>	<u>43 545 60</u>	<u>43 545 60</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1 881 60)</u>	<u>(1 881 60)</u>	<u>(761 60)</u>	<u>1 120 00</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>4 500 00</u>	<u>4 500 00</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4 500 00</u>	<u>4 500 00</u>
Excess (deficiency) of revenues and Other sources over expenditures and other uses	<u>(1 881 60)</u>	<u>(1 881 60)</u>	<u>3 738 40</u>	<u>5 620 00</u>
Fund balance, April 1	<u>21 776 45</u>	<u>21 776 45</u>	<u>28 266 45</u>	<u>6 490 00</u>
Fund Balance, March 31	<u>19 894 85</u>	<u>19 894 85</u>	<u>32 004 85</u>	<u>12 110 00</u>

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	<u>31 936 00</u>	<u>31 936 00</u>	<u>35 083 57</u>	<u>3 147 57</u>
Total revenues	<u>31 936 00</u>	<u>31 936 00</u>	<u>35 083 57</u>	<u>3 147 57</u>
Expenditures:				
Public works:				
Road and bridge	<u>60 942 57</u>	<u>60 942 57</u>	<u>52 231 95</u>	<u>(8 710 62)</u>
Total expenditures	<u>60 942 57</u>	<u>60 942 57</u>	<u>52 231 95</u>	<u>(8 710 62)</u>
Excess (deficiency) of revenues over expenditures	<u>(29 006 57)</u>	<u>(29 006 57)</u>	<u>(17 148 38)</u>	<u>11 858 19</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>5 286 48</u>	<u>5 286 48</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5 286 48</u>	<u>5 286 48</u>
Excess (deficiency) of revenues and Other sources over expenditures and other uses	<u>(29 006 57)</u>	<u>(29 006 57)</u>	<u>(11 861 90)</u>	<u>17 144 67</u>
Fund balance, April 1	<u>29 006 57</u>	<u>29 006 57</u>	<u>32 445 47</u>	<u>3 438 90</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>20 583 57</u>	<u>20 583 57</u>

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2006

Township Board:	
Wages – Trustees	2 400 00
Wages – Board of Review	129 25
Contracted services	1 051 63
Supplies	612 00
Miscellaneous	500 80
	<u>4 693 68</u>
Supervisor:	
Salary – Supervisor	3 999 96
Miscellaneous	110 04
	<u>4 110 00</u>
Elections:	
Miscellaneous	1 694 30
	<u>1 694 30</u>
Clerk:	
Salary	4 842 36
Deputy Clerk wages	84 40
Miscellaneous	1 499 57
	<u>6 426 33</u>
Assessor:	
Contracted services	5 590 00
Supplies	580 00
	<u>6 170 00</u>
Treasurer:	
Salary – Treasurer	5 100 00
Salary – summer taxes	1 384 28
Miscellaneous	2 767 33
	<u>9 251 61</u>
Cemetery:	
Miscellaneous	2 475 90
	<u>2 475 90</u>
Building and grounds:	
Wages	2 239 50
Repairs and maintenance	9 114 14
Utilities	4 302 37
Miscellaneous	1 065 00
Supplies	807 93
	<u>17 528 94</u>
Fire protection:	
Contracted services	7 500 00
	<u>7 500 00</u>
Ambulance:	
Contracted services	859 00
	<u>859 00</u>
Street lights:	
Utilities	1 824 21
	<u>1 824 21</u>
Parks and recreation:	
Repairs and maintenance	611 08
Contracted services	2 127 00
Utilities	262 54
Miscellaneous	3 088 67
	<u>6 089 29</u>



TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2006

Payroll taxes	<u>2 153 29</u>
Insurance	<u>3 144 00</u>
Capital outlay	<u>6 072 28</u>
Total Expenditures	<u><u>79 992 83</u></u>

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2006

	<u>Garbage</u>	<u>Road &amp; Bridge</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	25 580 88	16 119 34	41 700 22
Taxes receivable	<u>6 423 97</u>	<u>4 464 23</u>	<u>10 888 20</u>
Total Assets	<u>32 004 85</u>	<u>20 583 57</u>	<u>52 588 42</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>32 004 85</u>	<u>20 583 57</u>	<u>52 588 42</u>
Total fund equity	<u>32 004 85</u>	<u>20 583 57</u>	<u>52 588 42</u>
Total Liabilities and Fund Equity	<u>32 004 85</u>	<u>20 583 57</u>	<u>52 588 42</u>

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year Ended March 31, 2006

	<u>Garbage</u>	<u>Road &amp; Bridge</u>	<u>Total</u>
Revenues:			
Property taxes	-	35 083 57	35 083 57
Special assessments	42 784 00	-	42 784 00
Total revenues	42 784 00	35 083 57	77 867 57
Expenditures:			
Public works:			
Sanitation	43 545 60	-	43 545 60
Roads and bridges	-	52 231 95	52 231 95
Total expenditures	43 545 60	52 231 95	95 777 55
Excess (deficiency) of revenues over expenditures	(761 60)	(17 148 38)	(17 909 98)
Other financing sources (uses):			
Operating transfers in	4 500 00	5 286 48	9 786 48
Total other financing sources (uses)	4 500 00	5 286 48	9 786 48
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 738 40	(11 861 90)	(8 123 50)
Fund balances, April 1	28 266 45	32 445 47	60 711 92
Fund Balances, March 31	32 004 85	20 583 57	52 588 42

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in bank	<u>3 058 66</u>	<u>488 861 24</u>	<u>491 919 90</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	3 058 66	114 028 71	117 087 37	-
Due to others	<u>-</u>	<u>374 832 53</u>	<u>374 832 53</u>	<u>-</u>
Total Liabilities	<u>3 058 66</u>	<u>488 861 24</u>	<u>491 919 90</u>	<u>-</u>

TOWNSHIP OF BENTLEY  
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2006

Cash in bank – beginning of year	<u>3 058 66</u>
Cash receipts:	
Property taxes	<u>488 861 24</u>
Total cash receipts	<u>488 861 24</u>
Total beginning balance and cash receipts	<u>491 919 90</u>
Cash disbursements:	
Township General Fund	40 179 10
Township Road and Bridge Fund	34 058 24
Township Garbage Fund	42 850 03
Gladwin County	238 021 30
Pinconning Area Schools	59 163 42
Bay Arenac Intermediate School District	75 658 11
Refunds	<u>1 989 70</u>
Total cash disbursements	<u>491 919 90</u>
Cash in Bank – End of Year	<u>-</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 16, 2006

To the Township Board  
Township of Bentley  
Gladwin County, Michigan

We have audited the financial statements of the Township of Bentley for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Bentley in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Bentley  
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Bentley began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board  
Township of Bentley  
Gladwin County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & CO. P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants